

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

January 9, 2002

IN RE:

PETITION OF UNITED TELEPHONE COMPANY TO
APPROVE ISSUANCE OF DEBT

)
)
)
)
)

DOCKET NO.
01-01012

ORDER APPROVING DEBT ISSUANCE

This matter came before the Tennessee Regulatory Authority (the "Authority" or "TRA") upon the *Petition* (the "*Petition*") of United Telephone Company ("United") for approval of a debt issuance. The Directors of the Authority considered United's *Petition* at a regularly scheduled Authority Conference held on December 4, 2001. Upon consideration of the *Petition*, the Directors made the following findings of fact and conclusions of law:

1. United is a Tennessee corporation with its principal place of business located in Chapel Hill, Tennessee and is organized for the purposes of operating telephone exchanges in the State of Tennessee. United is now operating eight (8) exchanges under authority of the TRA with customers in Bedford, Davidson, Franklin, Marshall, Moore, Rutherford and Williamson Counties.

2. From time to time with the approval of the TRA and its predecessor agency, the Tennessee Public Service Commission, United has borrowed funds from the United States of America.

3. United filed its *Petition* with the Authority on November 19, 2001. In the *Petition*, United states that it seeks approval to borrow from the United States of America, acting through the Rural Utilities Service, an amount not to exceed \$15,699,000; borrow from the Rural Telephone Bank an amount not to exceed \$9,157,000; purchase class B stock of the Rural Telephone Bank with \$436,050 of such funds borrowed from the Rural Telephone Bank; execute a Reimbursement Note to the United States of America acting through the Rural Utilities Service to reimburse the government in the event of default; and execute a Future Advance Promissory Note to the Federal Financing Bank with a maximum principal amount of \$750,000.

4. The *Petition* states that the purpose of the proposed debt issuance is to upgrade, expand and provide new facilities for the continued growth of United Telephone and to enhance service to existing customers. The *Petition* further states that such action will assist United in providing telephone service to the widest number of persons it can possibly serve in rural areas.

5. At the December 4, 2001 Authority Conference, the Directors considered United's *Petition* pursuant to Tenn. Code Ann. § 65-4-109, which directs the Authority to approve a proposed debt issuance if it finds that such proposed debt issuance is to be made in accordance with the law and the Authority approves the purpose of such issuance.

6. After careful consideration of the entire record in this matter and all applicable rules and statutes, particularly the provisions of Tenn. Code Ann. § 65-4-109, the Authority found that the debt issuance proposed by United will be in the public interest and is for a proper purpose, and voted unanimously to approve the *Petition*.

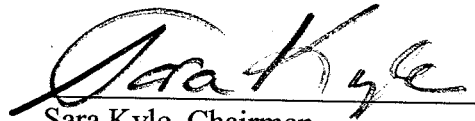
IT IS THEREFORE ORDERED THAT:

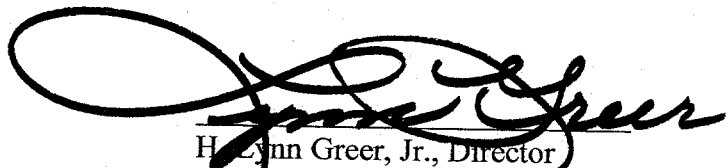
1. United Telephone Company is authorized to borrow from the United States of America, acting through the Rural Utilities Service, an amount not to exceed \$15,699,000;

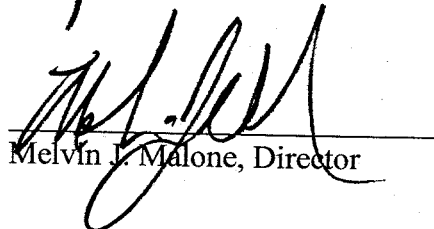
borrow from the Rural Telephone Bank an amount not to exceed \$9,157,000; purchase class B stock of the Rural Telephone Bank with \$436,050 of such funds borrowed from the Rural Telephone Bank; execute a Reimbursement Note to the United States of America acting through the Rural Utilities Service to reimburse the government in the event of default; and execute a Future Advance Promissory Note to the Federal Financing Bank with a maximum principal amount of \$750,000;

2. The terms of said transactions shall be as described in the *Petition* on file with the Authority; and

3. The authorization and approval given herein should not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of any United Telephone Company securities. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transactions approved herein.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin J. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary